



A BUSINESS PLAN TO END LONG-TERM HOMELESSNESS IN MINNESOTA BY 2010

Background: A Governor's leadership and multi-disciplinary strategies

In 2003, the Minnesota Legislature, at the request of Governor Tim Pawlenty, directed the state Commissioners of Human Services, Corrections, and Housing Finance to convene a broadly representative Working Group to address the issue of chronic or long-term homelessness in Minnesota. The Working Group consists of representatives from government (state, local, and federal), the private sector (developers and business interests), non-profits (foundations and service providers), and faith-based organizations.

In March 2004, the Working Group submitted to the Minnesota Legislature a goal-oriented, reform-minded business plan to end long-term homelessness in Minnesota by 2010. Governor Pawlenty jump-started implementation of the plan by proposing a record \$20 million to house the homeless in his 2004 capital budget and by calling for an end to long-term homelessness in his 2004 State of the State address. The business plan calls for multi-disciplinary (housing, human services, corrections), multi-sector (government, business, nonprofit), and multi-jurisdictional (federal, state, and local) strategies to address long-term homelessness. The following summarizes key elements of the business plan.

Vision and Goal: End long-term homelessness by 2010

Minnesota joins in the federal goal adopted by President Bush and the U.S. Interagency Council on Homelessness to end long-term homelessness by the end of this decade. Housing and appropriate support service options should be made available to those experiencing long-term homelessness so they can be successfully housed over the long-term. The needs of the broader homeless and near homeless populations must be met as we pursue this goal, including Minnesota's effective homelessness prevention efforts.

The Need: Provide housing and support services to 4,000 households

According to the 2003 statewide survey of homelessness in Minnesota conducted by the Amherst H. Wilder Foundation, there are approximately 3,300 persons who experience long-term homelessness over the course of a year. This includes nearly 500 children. Consistent with national studies of the chronically and long-term homeless, many report mental illness (52%), chemical dependency (33%), domestic abuse (24%), a criminal history affecting their housing (26%), and status as military veterans (16%). Based on the survey and other information, the business plan calls for providing supportive housing opportunities to 4,000 additional households by 2010. This will accommodate some growth in the long-term homeless population.

The Strategy: Cost-effective supportive housing

Minnesota currently has about 2,000 units of supportive housing for the formerly homeless. Similar to national experience, Minnesota has found that supportive housing reduces the use of expensive crisis services (emergency rooms, detox, and shelters) and improves outcomes for the long-term homeless. The business plan calls for building on this experience and improving Minnesota's ability to provide supportive housing by controlling development costs through use of innovative designs, alternative materials, and limiting transaction costs; maximizing the use of the private, competitive rental market to avoid the costs of new construction; and carefully scrutinizing support service levels to focus on successful, long-term housing stability.

The Financing Plan: State leadership and a call to action to potential partners

The following table summarizes the financing plan, which is a unique effort to estimate over time the costs and potential sources for providing housing and support services from multiple funding sources, each of which have different allowable uses and eligibility criteria. The financing plan does not account for reduced expenditures for "crisis" services or the benefits of better outcomes for the long-term homeless.

Financing Plan Estimate (2004 - 2010)
(in millions)

<u>Sources</u>		<u>Costs/Uses</u>	
<u>Identified Sources</u>		New Construction (500 units)	\$ 85
State General Obligation Bonds	\$ 90	Acquisition and Rehabilitation (1,500 units)	\$125
(\$16.2 million in 2002; \$20 million in 2004; remainder in 2006 and 2008)		New Units Integrated into Mixed-Income Developments (400 units)	\$ 50
Minnesota Housing Finance Agency	\$ 90	Rental/Operating Assistance (1,600 units for available units in the rental market -\$40 million; remainder to support other new units identified above - \$60 million)	\$100
State Appropriated Programs and Agency Resources		Housing Support/Community Living Services/Income Supplements	\$180
Private Tax Credit Equity (MHFA allocation)	\$ 60		
Department of Human Services	\$120		
<u>Remaining Sources:</u>	\$180		
Federal Government			
Local Government			
Philanthropic/Non-Profit			
State (Departments of Human Services, Corrections, and MHFA)			
Total	\$ 540	Total	\$ 540

The financing plan demonstrates that the state is providing significant resources (capital financing, rental/operating assistance, and service funding) but that the state cannot finance this effort alone. A significant portion of the state funding is one-time funding only. Federal and other sources must be forthcoming if the business plan is to successfully implemented over the long-term. There are preliminary discussions with the Department of Housing and Urban Development (HUD) to designate the business plan as a “demonstration project” to allow for regulatory flexibility and other assistance. The demonstration project could potentially be adopted by other agencies. In addition, the Minnesota congressional delegation has provided significant bipartisan support for the effort.

The Implementation Plan: Establish accountability and be proactive

The business plan requires sound execution. The following are key elements of the implementation plan:

- *Continued Interagency Cooperation.* The Departments of Human Services, Corrections, the Housing Finance Agency, and other departments should enhance and institutionalize their joint efforts to proactively solicit and fund supportive housing for persons experiencing long-term homelessness.
- *Develop the System for Supportive Housing.* Creative funding strategies that increase the use of “mainstream” resources and allow for a more natural “system” to develop and fund supportive housing is necessary. The federal government, counties and other local governments, and nonprofit organizations should be involved as partners.
- *Evaluation.* Rigorous evaluation, tracking of data on homelessness, and search for best practices should be integrated into the implementation process.
- *Stakeholder Participation and Capacity Building.* A broadly representative advisory body similar to the Working Group should be established to assist in implementing the business plan and track progress. Persons who have or are experiencing homelessness should be involved. In addition, local governments, developers, and service providers should be involved to develop and maintain the capacity to implement the plan and assist in addressing siting and similar issues.
- *A long-term homeless director without new bureaucracy.* A director for ending long-term homelessness will be engaged, using existing resources, to coordinate implementation of the business plan. The director will report to the commissioners of Human Services, Housing Finance and Corrections.

Further information on the Working Group and the business plan can be found at

www.mhfa.state.mn.us/about/homeless_business_plan.pdf.

